



The dot.com bubble

Dot.com and the public damage

Narrator

From its peak in 2000, by 2003, the Nasdaq technology index had lost three quarters of its entire value.

Barry Lake

'It was about a six-month spread at the time when it went from glorious highs to mediocre lows.

It's like catching a falling knife, isn't it?'

Mark Goodson

'We lost a lot of money.'

'Did we know we were in a bubble? Yeah. You just didn't know how big the bubble was.'

Narrator

Even 'experts' can find themselves caught up in bubbles.

Rory Cellan Jones

'I have to confess, I too got caught up in it at one stage; there were people in this building coming up to me and saying "have you heard about this company or that company?" They are just taking off, you've got to get in while the going is good and I did invest in one dot-com company and I think I have still got the shares ten years later, but I might as well paper the bathroom with them because they are worth absolutely nothing. I knew it was madness, I knew that a company that had a turnover of, I don't know, a large pub, couldn't really be worth the same as a giant business employing thousands of people, but I did get caught up just for a moment.'

Narrator

The impact of a bubble bursting might seem limited, but the effects are quickly felt by ordinary consumers through pensions and savings.

The bursting of a house price bubble, as for example in 2007, can have a particularly damaging effect on personal finances.

John Calverly

'Bubbles impact ordinary people of course through if you have a recession, people lose their jobs and there's all that. But I think also they lose through pensions, they lose through any investments they've got. And they also lose in housing. People in the UK who bought a house, let's say after, about 2004, I think by the end of this, they will be under water.'

Martin Wolf

'Bubbles that are associated with huge amounts of borrowing, or to put it another way, huge amount of credit expansion, debt expansion tend to be very, very destructive when they burst, because it leaves an enormous number of people and institutions with negative equity, i.e. they're bust.'

David Llewellyn

'I think the most vulnerable group in society are the relatively unsophisticated retail investor, for the simple reason that they have less understanding of what is going on, they may not always know precisely how and when to get out of a market, as opposed to more sophisticated financial firms.'

James Montier

'Ordinary investors and ordinary people tend to suffer when bubbles burst – they get suckered in right at the end.'

Narrator

The impacts can be severe, though there can be longer-term benefits.

Mariana

'When a bubble bursts, you have all sorts of people affected.

But if that particular bubble has in fact been related to some sort of technological revolution, and if that technological revolution has then had lasting consequences for the economy, so after the dot-com bubble burst, we still have the internet, after the railway bubble burst, we still have the rail lines, then that obviously will still continue to be the source of growth in the economy.'

Martin Wolf

'Those bubbles, they're disruptive, but they seem to be an inevitable product of fundamental innovation.

At the end of it you are left with a more productive economy.'

Martin Wolf

'You know historians will look back and say we were right to think the internet was an extraordinary thing – it did change the world – even if a lot of the companies that were floated were fraudulent and the bubble went crazy.'

Martin Wolf

'That was the biggest stock market bubble, certainly in the history of the United States and perhaps even the UK. It transformed the world and in a very big way.'